Filing at a Glance

Company: Allstate Indemnity Company

Product Name: Landlords Package Policy
SERFF Tr Num: ALSX-125490769
State: Arkansas

TOI: 05.0 Commercial Multi-Peril - Liability & Non-Liability
SERFF Status: Closed
State Tr Num: EFT $100

Sub-TOI: 05.0003 Commercial Package
Co Tr Num: R19561
State Status: Fees verified and received

Filing Type: Rate
Co Status:
Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding

Author: SPI AllState
Disposition Date: 02/26/2008

Date Submitted: 02/15/2008
Disposition Status: Exempt from Review

Effective Date Requested (New): 04/21/2008
Effective Date (New): 04/21/2008

Effective Date Requested (Renewal): 06/05/2008
Effective Date (Renewal): 06/05/2008

State Filing Description:

General Information

Project Name: Rate Filing
Status of Filing in Domicile: Not Filed

Project Number: R19561
Domicile Status Comments:

Reference Organization:
Reference Number:

Reference Title:
Advisory Org. Circular:

Filing Status Changed: 02/26/2008

State Status Changed: 02/26/2008
Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

Attached are exhibits supporting an overall 41.5% increase to the Arkansas Allstate Indemnity Company Landlords Package Policy Program. This rate level change will be taken by revisions to the Rate Adjustment Factor, Rating Group Factors, and Age of Dwelling Factors. Based on 2007 written premium at current rate level of $1,392,543, this rate change will generate approximately $577,905 in additional annual premium.

We are targeting an implementation date of April 21, 2008 for all new business written and renewals processed on or after April 21, 2008 and renewal business effective on or after June 5, 2008.

Company and Contact

Filing Contact Information

Carrie Deppe, Assistant State Filings Manager   cdepp@allstate.com
2775 Sanders Road   (847) 402-2774 [Phone]
Northbrook, IL 60062   (847) 402-9757[FAX]

Filing Company Information

Allstate Indemnity Company	CoCode: 19240	State of Domicile: Illinois
2775 Sanders Road	Group Code: 8	Company Type:
Suite A5		
Northbrook, IL 60062	Group Name: Allstate	State ID Number:
(847) 402-5000 ext. [Phone]	FEIN Number: 36-6115679	

Filing Fees

Fee Required?	Yes
Fee Amount:	$100.00
Retaliatory?	No
Fee Explanation:	Rate filing
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Allstate Indemnity Company	$100.00	02/15/2008	18006174

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	02/26/2008	02/26/2008

Disposition

Disposition Date: 02/26/2008
Effective Date (New): 04/21/2008
Effective Date (Renewal): 06/05/2008
Status: Exempt from Review
Comment:
This line is exempt from filing rates in compliance with ACA 23-67-206 which states that P&C insurance for commercial risks, excluding workers' compensation, employers' liability and professional liability insurance, including but not limited to, medical malpractice insurance, are exempted from the rate filing and review requirements.

Company Name:	**Overall % Rate Impact:**	**Written Premium Change for this Program:**	**# of Policy Holders Affected for this Program:**	**Premium:**	**Maximum % Change (where required):**	**Minimum % Change (where required):**	**Overall % Indicated Change:**
Allstate Indemnity Company	41.500%	$577,905	2,667	$1,392,453	74.400%	3.500%	%

Item Type	Item Name	Item Status	Public Access
Supporting Document	AR - NAIC P&C TRANSMITTAL DOCUMENT, RateRuleSchedule01.doc, StateFilingForms01.doc, OtherActSupport01.pdf	Accepted for Informational Purposes	Yes
Rate	CheckingListR19561.pdf	Accepted for Informational Purposes	Yes
Rate	ManualR19561.pdf	Accepted for Informational Purposes	Yes

Rate Information

Rate data applies to filing.

Filing Method:	File and Use
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	0.000%
Effective Date of Last Rate Revision:	03/20/2006
Filing Method of Last Filing:	File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
Allstate Indemnity Company	%	41.500%	$577,905	2,667	$1,392,453	74.400%	3.500%

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Accepted for Informational Purposes	CheckingListR19561.pdf	R19561	New		R19561.PDF
Accepted for Informational Purposes	ManualR19561.pdf	R19561	Replacement	AR-PC-06-018223	R19561.PDF

CHECKING LIST FOR LANDLORDS PACKAGE POLICY

Printing dates are shown on each page to facilitate identification of different editions, but have no direct connection with the effective date of the page.

PREMIUM SECTION

Enclosed: Page RFP-1 dated 4-1-2008
Page RFP-3 dated 4-1-2008

Withdrawn: Page RFP-1 dated 3-20-2006
Page RFP-3 dated 3-20-2006

Calculation

2 **Rate Adjustment Factor:**

Factor: 1.050

3 **Claim Rating Factor:**

Rating Group 1
# of Chargeable Claims in the past 3 years

	Group A					
Group B	0	1	2	3	4	5
0	0.900	1.215	1.641	2.215	2.990	4.037
1	0.900	1.215	1.641	2.215	2.990	4.037
2	1.035	1.398	1.886	2.547	3.438	4.642
3	1.191	1.607	2.169	2.930	3.954	5.339
4	1.369	1.849	2.495	3.369	4.547	6.140
5	1.574	2.126	2.869	3.874	5.229	7.061

Each additional chargeable Group A claim – apply factor of 1.350
Each additional chargeable Group B claim – apply factor of 1.150

Rating Group 2
# of Chargeable Claims in the past 3 years

	Group A					
Group B	0	1	2	3	4	5
0	1.090	1.472	1.987	2.682	3.621	4.889
1	1.090	1.472	1.987	2.682	3.621	4.889
2	1.254	1.693	2.285	3.085	4.164	5.622
3	1.442	1.947	2.627	3.548	4.788	6.466
4	1.658	2.239	3.021	4.080	5.507	7.436
5	1.906	2.575	3.475	4.691	6.333	8.551

Each additional chargeable Group A claim – apply factor of 1.350
Each additional chargeable Group B claim – apply factor of 1.150

Rating Group 3
# of Chargeable Claims in the past 3 years

	Group A					
Group B	0	1	2	3	4	5
0	1.260	1.701	2.297	3.101	4.186	5.651
1	1.260	1.701	2.297	3.101	4.186	5.651
2	1.449	1.957	2.641	3.566	4.813	6.499
3	1.667	2.250	3.037	4.101	5.535	7.474
4	1.916	2.588	3.493	4.716	6.366	8.596
5	2.204	2.976	4.017	5.423	7.321	9.885

Each additional chargeable Group A claim – apply factor of 1.350
Each additional chargeable Group B claim – apply factor of 1.150

Rating Group 4
# of Chargeable Claims in the past 3 years

	Group A					
Group B	0	1	2	3	4	5
0	1.470	1.985	2.680	3.618	4.883	6.593
1	1.470	1.985	2.680	3.618	4.883	6.593
2	1.691	2.283	3.081	4.160	5.615	7.582
3	1.945	2.625	3.543	4.785	6.458	8.720
4	2.236	3.019	4.075	5.502	7.426	10.028
5	2.571	3.472	4.686	6.327	8.541	11.532

Each additional chargeable Group A claim – apply factor of 1.350
Each additional chargeable Group B claim – apply factor of 1.150

Rating Group 5
# of Chargeable Claims in the past 3 years

	Group A					
Group B	0	1	2	3	4	5
0	1.700	2.295	3.099	4.184	5.647	7.625
1	1.700	2.295	3.099	4.184	5.647	7.625
2	1.955	2.640	3.563	4.811	6.494	8.769
3	2.249	3.036	4.097	5.534	7.468	10.084
4	2.586	3.492	4.712	6.363	8.588	11.597
5	2.973	4.015	5.420	7.317	9.877	13.337

Each additional chargeable Group A claim – apply factor of 1.350
Each additional chargeable Group B claim – apply factor of 1.150

Order in
Calculation

6 **Age of Dwelling:**

Age of Dwelling	Factor
0	0.750
1	0.780
2	0.810
3	0.840
4	0.870
5	0.900
6	0.920
7	0.940
8	0.960
9	1.000
10 -19	1.150
20 -29	1.300
30 -49	1.450
50 -69	1.550
70 -89	1.600
90 +	1.650

7 **Fire Resistive Construction:**

Factor: 0.850

Supporting Document Schedules

		Review Status:	
Satisfied -Name:	AR - NAIC P&C TRANSMITTAL DOCUMENT, RateRuleSchedule01.doc, StateFilingForms01.doc, OtherActSupport01.pdf	Accepted for Informational Purposes	02/26/2008

Comments:

Attachments:

AR - NAIC P&C TRANSMITTAL DOCUMENT.PDF
RateRuleSchedule01_doc.PDF
StateFilingForms01_doc.PDF
OtherActSupport01_pdf.PDF

Effective March 1, 2007

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	

2. Insurance Department Use only	
a. Date the filing is received:	
b. Analyst:	
c. Disposition:	
d. Date of disposition of the filing:	
e. Effective date of filing:	
New Business	
Renewal Business	
f. State Filing #:	
g. SERFF Filing #:	
h. Subject Codes	

3.	**Group Name**	**Group NAIC #**
	Allstate	008

4.	**Company Name(s)**	**Domicile**	**NAIC #**	**FEIN #**	**State #**
	Allstate Indemnity Company	IL	19240	36-6115679	

5.	**Company Tracking Number**	R19561

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	**Name and address**	**Title**	**Telephone #s**	**FAX #**	**e-mail**
	Carrie M. Deppe 2775 Sanders Road, Suite A5 Northbrook IL 60062	Assistant State Filings Manager	800-366-2958 Ext. 22774	847-402-9757	cdepp@allstate.com

7.	Signature of authorized filer	Carrie M. Deppe
8.	Please print name of authorized filer	Carrie M. Deppe

Filing Information (see General Instructions for descriptions of these fields)

9.	**Type of Insurance (TOI)**	05.0 Commercial Multi-Peril - Liability & Non-Liability
10.	**Sub-Type of Insurance (Sub-TOI)**	05.0003 Commercial Package
11.	**State Specific Product code(s) (if applicable) [See State Specific Requirements]**	
12.	**Company Program Title** (Marketing Title)	Landlords Package Policy
13.	**Filing Type**	☒ Rate/Loss Cost ☐ Rules ☐ Rates/Rules ☐ Forms ☐ Combination Rates/Rules/Forms ☐ Withdrawal ☐ Other (give description)
14.	**Effective Date(s) Requested**	New: 04/21/2008 Renewal: 06/05/2008
15.	**Reference Filing?**	☐ Yes ☒ No
16.	**Reference Organization** (if applicable)	Not applicable
17.	**Reference Organization # & Title**	Not applicable
18.	**Company's Date of Filing**	February 15, 2008
19.	**Status of filing in domicile**	☒ Not Filed ☐ Pending ☐ Authorized ☐ Disapproved

Property & Casualty Transmittal Document

20.	**This filing transmittal is part of Company Tracking #**	R19561

21.	**Filing Description** [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

Attached are exhibits supporting an overall 41.5% increase to the Arkansas Allstate Indemnity Company Landlords Package Policy Program. This rate level change will be taken by revisions to the Rate Adjustment Factor, Rating Group Factors, and Age of Dwelling Factors. Based on 2007 written premium at current rate level of $1,392,543, this rate change will generate approximately $577,905 in additional annual premium.

We are targeting an implementation date of April 21, 2008 for all new business written and renewals processed on or after April 21, 2008 and renewal business effective on or after June 5, 2008.

22.	**Filing Fees** (Filer must provide check # and fee amount if applicable.) [If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #: Not applicable. Fee sent via EFT.
Amount: $100.00

Rate filing

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	**This filing transmittal is part of Company Tracking #**	R19561

2.	**This filing corresponds to form filing number** (Company tracking number of form filing, if applicable)	

☒ Rate Increase ☐ Rate Decrease ☐ Rate Neutral (0%)

3.	**Filing Method (Prior Approval, File & Use, Flex Band, etc.)**	File & Use

4a. Rate Change by Company (As Proposed)

Company Name	**Overall % Rate Impact**	**Written premium change for this program**	**# of policyholders affected for this program**	**Written premium for this program**	**Maximum % Change** (where required)	**Minimum % Change** (where required)
Allstate Indemnity Company	41.5%	$577,905	2,667	$1,392,543	74.4%	3.5%

4b. Rate Change by Company (As Accepted) For State Use Only

Company Name	**Overall % Rate Impact**	**Written premium change for this program**	**# of policyholders affected for this program**	**Written premium for this program**	**Maximum % Change**	**Minimum % Change**

5. Overall Rate Information (Complete for Multiple Company Filings only)

		COMPANY USE	**STATE USE**
5a.	**Overall percentage rate impact for this filing**		
5b.	**Effect of Rate Filing - Written premium change for this program**		
5c.	**Effect of Rate Filing - Number of policyholders affected**		

6.	**Overall percentage of last revision**	**N/A**
7.	**Effective Date of last rate revision**	**3/20/06**
8.	**Filing Method of Last filing** **(Prior Approval, File & Use, Flex Band, etc.)**	**File & Use**

9.	**Rule # or Page # Submitted for Review**	**Replacement or withdrawn?**	**Previous state filing number, if required by state**
01	RFP-1 and RFP-3	☐ New ☒ Replacement ☐ Withdrawn	
02		☐ New ☐ Replacement ☐ Withdrawn	
03		☐ New ☐ Replacement ☐ Withdrawn	

FORM RF-1 Rate Filing Abstract NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	R19561

2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/Item Filing Number	n/a

		Company Name	Company NAIC Number	
3.	**A.**	Allstate Indemnity Company	**B.**	19240

		Product Coding Matrix Line of Business (i.e., Type of Insurance)	Product Coding Matrix Line of Business (i.e., Sub-type of Insurance)	
4.	**A.**	Commercial Multi Peril	**B.**	

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	FOR LOSS COSTS ONLY (E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Landlords Package Policy	41.5%	41.5	64.6%	n/a	n/a	n/a	n/a
TOTAL OVERALL EFFECT							

6. 5 Year History Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
3/31/07	773			391	167	42.7%	63.7%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	17.2%
B. General Expense	3.6%
C. Taxes, Licenses & Fees	3.0%
D. Underwriting Profit & Contingencies	10.77%
E. Other (explain)	
F. TOTAL	

8. N Apply Loss Cost Factors to Future filings? (Y or N)

9. 74.4% Estimated Maximum Rate Increase for any Insured (%) Territory (if applicable): ________

10. N/A Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): ________

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY

ARKANSAS

INDEX OF ATTACHMENTS

Attachment A –	**Summary of Proposed Change**
Page 1	Summary of Proposed Change
Pages 2-3	Summary of Factor Changes
Attachment B –	**Summary of Arkansas Memos**
Page 1	Actuarial Standards of Practice
Page 2	Material Changes in Sources of Data, Assumptions, or Methods
Page 3	Summary of the Development of Statewide Rate Level Indication
Pages 4-5	Determination of Statewide Rate Level Indication Explanatory Memorandum
Pages 6-7	Development of Provision for Non-Catastrophe Loss and LAE Provision Explanatory Memorandum
Page 8	Loss Development Methodology Explanatory Memorandum
Pages 9-10	Development of Projected Average Earned Premium at Current Rates Explanatory Memorandum
Page 11	Development of Catastrophe Provision and LAE Explanatory Memorandum
Page 12	Explanatory Memorandum: Development of the Catastrophe Provision
Pages 13	Development of the Total Catastrophe Provision Explanatory Memorandum
Pages 14-15	Summary of the Total Non-Modeled Catastrophe Adjustment
Pages 16-17	Development of Total Non-Modeled Catastrophe Provision Explanatory Memorandum
Page 18	Development of Catastrophe Provision by Company Explanatory Memorandum
Pages 19-20	Expenses and Investment Income Explanatory Memorandum
Pages 21-23	Contingency Factor Support Explanatory Memorandum
Attachment C –	**Exhibits of Indication Filings**
Exhibit 1	Determination of Statewide Rate Level Indication
Exhibit 2	Development of Provision for Non-Catastrophe Loss and LAE
Exhibit 3	Pure Premium Trends
Exhibit 4	Development of Projected Average Earned Premium
Exhibit 5	Written Premium Trends
Exhibit 6	Calculation of Loss Development Factors
Exhibit 7	Development of Provision for Catastrophe Loss and LAE
Exhibit 8	Amount of Insurance Years Trends
Exhibit 9	Development of Total Catastrophe Provision
Exhibit 10	Homeowners Basic Catastrophe Provision
Exhibit 10.1	Company Specific Catastrophe Provision
Exhibit 11	Summary of Expense Provisions
Exhibit 12	Development of the Underwriting Profit Provision
Exhibit 13	Investment Income

Exhibit 14 Unallocated Loss Adjustment Expense Provision
Exhibit 15 Countrywide Expense Experience For Other Acquisition and General Expenses
Exhibit 16 Contingency Factor

Attachment D – Summary of Manual Changes
Page 1 Summary of Manual Changes

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
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SUMMARY OF PROPOSED CHANGE

INDICATED RATE LEVEL CHANGE: 41.5%

SELECTED RATE LEVEL CHANGE: 41.5%

	Written Premium @CRL As of 1/15/08	Total Change
Base Premium	$ 1,365,945	42.3%
Additional Coverages	$ 26,598	N/C
Total	$ 1,392,543	41.5%

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

SUMMARY OF FACTOR CHANGES

Rating Group	Current	Indicated	Proposed
1	0.90	0.90	0.90
2	0.95	1.09	1.09
3	1.00	1.26	1.26
4	1.20	1.47	1.47
5	1.60	1.70	1.70

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

SUMMARY OF FACTOR CHANGES

Age of Dwelling	Current	Indicated	Proposed
0	0.75	0.55	0.75
1	0.78	0.60	0.78
2	0.81	0.65	0.81
3	0.84	0.70	0.84
4	0.87	0.75	0.87
5	0.90	0.80	0.90
6	0.92	0.86	0.92
7	0.94	0.92	0.94
8	0.96	0.96	0.96
9	0.98	1.00	1.00
10 -19	1.00	1.22	1.15
20 -29	1.05	1.40	1.30
30 -49	1.10	1.49	1.45
50 -69	1.20	1.56	1.55
70 -89	1.30	1.62	1.60
90 +	1.40	1.65	1.65

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

ACTUARIAL STANDARDS OF PRACTICE

This document confirms compliance with the following Actuarial Standards of Practices that are applicable to the preparation of statewide rate filings performed by casualty actuaries as stated in "Applicability Guidelines for Actuarial Standards of Practice" (American Academy of Actuaries, September 2004). In addition, references to relevant sections of this filing are included, where applicable.

- Actuarial Standard of Practice No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*
  - Att B, Page 2: Material Changes in Data, Assumptions, or Methods
  - Att B, Page 3: Determination of Statewide Rate Level Indication Explanatory Memorandum
- Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*
  - Att B, Page 3: Determination of Statewide Rate Level Indication Explanatory Memorandum
  - Att B, Pages 6-7: Development of Provision for Non-Catastrophe Loss and LAE Provision Explanatory Memorandum
  - Att B, Pages 9-10: Development of Projected Average Premium at Current Rates Explanatory Memorandum
  - Att B, Pages 19-23: Expenses and Investment Income
- Actuarial Standard of Practice No. 23, *Data Quality*
  - Att B, Pages 4-5: Determination of Statewide Rate Level Indication Explanatory Memorandum
- Actuarial Standard of Practice No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*
  - Att B, Pages 19-23: Expenses and Investment Income
- Actuarial Standard of Practice No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*
  - Att B, Pages 19-23: Expenses and Investment Income
- Actuarial Standard of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*
  - Att B, Pages 12-18: Development of the Catastrophe Provision
- Actuarial Standard of Practice No. 41, *Actuarial Communications*
  - Applies to this filing in its entirety

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

MATERIAL CHANGES IN SOURCES OF DATA, ASSUMPTIONS, OR METHODS

This document lists all material changes in sources of data, assumptions, or methods from the last Allstate rate level indication filing. These changes are further described in the subsequent memos in compliance with Actuarial Standard of Practice No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations.*

- Accident Year Weights
  - Use of equal year weights among all accident years, as described in Att B, Page 10
- Accident Year Loss Data
  - Use of accident year data, rather than calendar year, as described in Att B, Page 3
- Loss Trends
  - Updated methodology for calculating frequency and severity amounts as described in Att B, Page 6
  - Selected separate historical and projected loss trends as described in Att B, Page 6
  - Changes to data utilized when selecting trends for Allstate Indemnity Company, as described in Att B, Page 6
- Provision for General and Other Acquisition Expenses
  - Use of three-year average, rather than 12-month moving, earned premium to calculate the provision as described in Att B, Page 19
  - Methodology change for calculating the provision for fixed expense trend as described in Att B, Page 20
- Profit Provision
  - Update to methodology as described in Att B, Page 20
- Current Rate Level
  - Factors to current rate level calculated using the "Miller-Davis-Karlinski" method, rather than the "parallelogram method", as described in Att B, Page 9
- Premium Trends
  - Changes to data utilized when selecting trends as described in Att B, Page 9
- Catastrophe Adjustment
  - Catastrophe provision adjusted as described in Att B, Page 12

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

SUMMARY OF THE DEVELOPMENT OF STATEWIDE RATE LEVEL INDICATION

The data used in the calculation of the rate level indication was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard or Practice No. 23, *Data Quality*. The calculation of the rate level indication is consistent with the Statement of Principles Regarding Property and Casualty Insurance Ratemaking.

In developing rate level indications, Allstate projects estimated losses, expenses, cost of capital, and premium for underlying trends that are expected to produce changes in the average loss cost and average premium amount between the experience period of the data and the period for which the proposed rates will be in effect. The proposed effective date of the indication is 1-1-08. This is consistent with the Casualty Actuarial Society ratemaking literature.

The determination of the overall indication of 41.5% is included on **Exhibit 1** with an explanatory memorandum on **Page 4.**

Non-Catastrophe Losses and Loss Adjustment Expense

With this filing, Allstate is changing from a Loss Ratio method to a Pure Premium method when developing the indicated provision for loss and loss adjustment expense. Support for the development of the weighted non-catastrophe loss and loss adjustment expense provision is included on **Pages 6 through 7** and **Exhibit 2.**

Expected Catastrophe Loss and Loss Adjustment Expense

Support for the development of the expected catastrophe loss and loss adjustment expense is included on **Page 11** and **Exhibit 7.**

Expenses

With this filing, we are modifying our methodology to develop the indicated provision for fixed expenses. Please see the Expenses and Investment Income Explanatory Memorandum on **Pages 19 through 20** for more information on this modification.

Consistent with past filings, we have also included the effect of investment income in the development of the underwriting profit provision for Arkansas. The supporting calculations for the investment income calculations are explained in greater detail on **Page 20** and **Exhibits 12 and 13.**

Projected Average Premium

Support for the development of the projected average earned premium at current rates is included on **Pages 9 through 10** and **Exhibit 4.**

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
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DETERMINATION OF STATEWIDE RATE LEVEL INDICATION
EXPLANATORY MEMORANDUM

Exhibit 1 shows the development of the indicated rate level change. An explanation of the development, with reference to supporting exhibits, is provided below.

1. Indicated Provision for Loss and Loss Adjustment Expense:
Indicated provision for non-catastrophe loss and loss adjustment expense (LAE) developed on **Exhibit 2** plus indicated provision for catastrophe loss and LAE developed on **Exhibit 7**. Please refer to **Page 6** and **Page 11**, respectively, for the explanatory memorandums.

2. Current Fixed Expense Ratio:
Provisions for general and other acquisition expenses, and license and fees are found on **Pages 19 through 20** and **Exhibit 11**.

3. Three Year Average Earned Premium:
Average earned premium for Allstate Insurance Group between January 1, 2004 and December 31, 2006 is used in the development of the indicated dollar provision for Fixed Expenses.

4. Current Dollar Provision for Fixed Expenses: (2) x (3)
Average premium is multiplied by the current fixed expense ratio.

5. Factor to Adjust for Subsequent Change in Fixed Expense:
This factor represents the fixed expense trend, projected from the average earned date of the period considered in the calculation of the average earned premium to the average earned date of the proposed policy period.

6. Indicated Provision for Fixed Expense: (4) x (5)
The current provision for fixed expenses multiplied by the fixed expense trend. This represents the portion of our indicated premium needed to pay fixed expenses.

7. Variable Expense and Profit Ratio:
Expense ratios for commissions, taxes, and profit and (contingencies) found on **Pages 19 through 23** and **Exhibit 11 and Exhibit 13**.

8. Indicated Average Premium: [(1) + (6)] / [1.0 - (7)]
The ratio of the indicated provision to pay catastrophe and non-catastrophe losses, loss adjustment expense, and fixed expenses to the complement of the provision for variable expenses.

9. Projected Average Earned Premium at Current Rates:
Projected Average Earned Premium developed on **Pages 9 through 10** and **Exhibit 4**.

10. Indicated Rate Level Change: [(8) / (9) - 1.0]
The indicated average premium as a ratio of the average premium at current rate level determines the indicated rate level change.

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

DEVELOPMENT OF PROVISION FOR NON-CATASTROPHE LOSS AND LAE PROVISION
EXPLANATORY MEMORANDUM

The numerical references in this memorandum correspond to the numbering sequence found on **Exhibit 2**. Please note that Allstate Indemnity Company was introduced for Arkansas Landlords Package Policy on 3/20/2006.

(1) Earned Exposures:
Earned exposures for the 12-month periods ending March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, and March 31, 2007 for Allstate Insurance Company and Allstate Indemnity Company.

(2) Accident Year Non-Catastrophe Ultimate Losses:
Non-catastrophe accident year losses including allocated loss adjustment expenses for the 12-month periods ending March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, and March 31, 2007 for Allstate Insurance Company and Allstate Indemnity Company combined developed to ultimate. Refer to **Page 8**, Loss Development Methodology for detail on the selection of ultimate losses. The Allstate Insurance Group non-catastrophe accident year losses are adjusted using a modification factor. The modification factor is the ratio of the Allstate Indemnity Company average losses to the Allstate Insurance Company average losses for the most recent calendar year. The adjusted losses provide an estimate of the losses that the Allstate Indemnity Company would have experienced had it been writing business for the entire accident period.

(3) Non-Catastrophe Ultimate Loss and LAE:
Losses in the experience period have been adjusted to account for non-hurricane unallocated loss adjustment expenses (ULAE). A provision is developed using countrywide Allstate Insurance Group data. A three-year average of the ratios of countrywide calendar year ULAE to countrywide calendar year incurred losses is used to determine the ULAE provision. The average ratio is then applied to the losses for each year used in the formula calculation. The ULAE ratio that used in this filing is shown in **Exhibit 14.**

(4) Factor to Adjust Losses for Pure Premium Trend:
In calculating our rate level indication, we use historical losses from the experience period to project the loss amounts expected to occur in a future policy period. We adjust these historical losses for changes we expect to occur between the average occurrence date in the experience period and the average occurrence date in the future policy period for which we are pricing.

We selected a trend factor of 7.0% and a projection factor of 7.0%. Selections were based on Allstate Insurance Group data. **Exhibit 3** displays the twenty-four-, twelve-, and six-point paid pure premium trends for Allstate Insurance Group Arkansas Landlords

Package Policy. Because of the limited amount of Arkansas Allstate Insurance Group data available, Countrywide Allstate Insurance Group data was used in the selection process. The credibility level of Allstate loss trend data was analyzed based on the number of claims paid in the latest experience year, which is consistent with the criteria for selecting a credibility procedure outlined in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health. Group Term Life, and Property/Casualty Coverages.*

This approach for selecting pure premium trends is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking.*

(5) Projected Non-Catastrophe Ultimate Loss and LAE: (3) x (4)

(6) Projected Average Non-Catastrophe Loss and LAE: (5) / (1)

(7) Experience Year Weight:
A weight is applied to each year in order to appropriately consider responsiveness and stability.

(8) Indicated Provision for Non-Catastrophe Loss and Loss Adjustment Expense:

The experience year weight is applied to the Projected Average Non-Catastrophe Losses and LAE.

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

LOSS DEVELOPMENT METHODOLOGY
EXPLANATORY MEMORANDUM

Allstate has developed accident year losses (including allocated loss adjustment expense) to ultimate settlement levels using the Link Ratio method.

Due to the limited amount of Arkansas Allstate Indemnity Company data, loss development factors were based on Arkansas Allstate Insurance Company and Allstate Indemnity Company combined data. Loss development patterns for Arkansas Allstate Indemnity Company and Allstate Insurance Company are expected to be similar, since claims settlement practices are the same for each company.

To calculate estimated ultimate losses using the Link Ratio methods, historical age-to-age link ratios are calculated, which represent loss development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of paid losses to be used in ratemaking. This method assumes that historical loss development patterns can be used to estimate future loss development on current immature claims.

Refer to **Exhibit 6** for the loss development using the Link Ratio Method. Please note that the actual five year average loss development factors were selected to project current losses to ultimate settlement level.

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

DEVELOPMENT OF PROJECTED AVERAGE EARNED PREMIUM AT CURRENT RATES
EXPLANATORY MEMORANDUM

The numerical references in this memorandum correspond to the numbering sequence found on **Exhibit 4.**

(1) Earned Exposures:
Earned exposures for the 12-month period March 31, 2007, for Allstate Indemnity Company.

(2) Earned Premium at Current Rates:
The experience year earned premiums must be adjusted to represent the premiums that would be developed if all policies had been written at the current premium level. All premiums in the experience period were adjusted to current rate level in Arkansas. We use the Miller-Davis-Karlinski method to bring premiums to current rate level prior to calculating the changes in average premium (the premium trends).

All premiums in the experience period were adjusted to current rate level in Arkansas. Previously, Allstate has calculated the factors to current rate level using the industry-standard parallelogram method, which assumes that exposures are written uniformly throughout the year. With this filing, Allstate has adopted a more refined methodology that assumes that exposures are written uniformly by month, using a procedure described in a discussion by Frank Karlinski of the paper entitled "A Refined Model for Premium Adjustment", by David Miller and George Davis. (Mr. Karlinski's discussion appeared in the Proceedings of the Casualty Actuarial Society (PCAS), Vol. LXIV, 1977, and the paper by Miller and Davis appeared in the PCAS, Vol LXIII, 1976). This method (which we call "Miller-Davis-Karlinski"), more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage or seasonality. (When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method.)

Since there have been no rate changes to date in Arkansas Allstate Indemnity Company, a factor of 1.000 is used.

(3) Factor to Adjust to Projected Premium Level:
Changes in the average written premium at the current premium level were reviewed. Based upon this review, historical premium trends were selected to account for shifts in the distribution of various underlying factors. Since the effects on losses caused by these shifts are reflected in the loss trends, it is important that Allstate also account for the anticipated future changes in premiums. Therefore, projected premium trend was taken into consideration when calculating the rate level need.

Annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. Selections were based on Allstate Indemnity Company data. We selected a trend factor of 3.0% and a projection factor of 3.0%. **Exhibit 5** displays the six-point written premium trends for Allstate Indemnity Company in Arkansas supporting these selections.

This approach for selecting premium trends is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking.*

(4) <u>Projected Earned Premium at Current Rates: (2) x (3)</u>

(5) <u>Projected Average Earned Premium at Current Rates: (4) / (1)</u>

(6) <u>Experience Year Weights:</u>
A weight is applied to each year in order to appropriately consider responsiveness and stability.

(7) <u>Projected Average Earned Premium at Current Rates:</u>
The experience year weights are applied to the projected average earned premium at current rates.

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

DEVELOPMENT OF CATASTROPHE PROVISION AND LAE
EXPLANATORY MEMORANDUM

The numerical references in this memorandum correspond to the numbering sequence on **Exhibit 7.**

(1) Earned Exposures for 12-month period ending 3/31/2007

(2) Earned AIY* for 12-month period ending 3/31/2007

(3) Average Earned AIY (2) / (1)

(4) Factor to Adjust to Projected AIY Level:
The Amount of Insurance Years must be adjusted to represent the AIY's that we expect to be in force during the policy period. Selections were based on Allstate Indemnity Company data. **Exhibit 8** shows the six-point average AIY trends for Arkansas. We have selected an 11.0% provision to project the AIY's to the average earned date of the proposed policy period.

(5) Average AIY Projected to 12/31/2008: (3) x (4)

(6) Total Catastrophe Provision Per AIY including all LAE:
Developed on **Exhibits 9 through 10,** with explanatory memorandum on **Pages 12 through 18.**

(7) Expected Catastrophe Pure Premium: (5) x (6)

*1 AIY = One Amount of Insurance Year
= $1,000 of Coverage in Force for One Year.

ALLSTATE INDEMNITY COMPANY
LANDLORD PACKAGE POLICY
ARKANSAS

EXPLANATORY MEMORANDUM
DEVELOPMENT OF THE CATASTROPHE PROVISION

Allstate quantifies its exposure to losses due to the occurrence of catastrophic events within a state. For ratemaking purposes, all actual catastrophe losses are removed from the state's loss data. A provision for catastrophes is developed to reflect the best estimate of Allstate's annual expected levels of catastrophe losses.

Since the Allstate Insurance Group Landlords Package Policy catastrophe loss data is only available since 1987, the Allstate Insurance Group Landlords Package Policy data does not, in itself, provide a sufficiently credible basis for determining a catastrophe provision. Thus, the catastrophe provision is developed using the state's historical Allstate Insurance Group Landlords Package Policy catastrophe data and the Allstate Insurance Group Homeowners catastrophe provision. The development of this provision has been updated to include 2006 data.

The catastrophe provision is the product of the Allstate Insurance Group Homeowners catastrophe provision and the Allstate Insurance Group Landlords Package Policy to Allstate Insurance Group Homeowners catastrophe ratio. The development of the Arkansas Allstate Indemnity Company Landlords Package Policy catastrophe provision is shown on **Exhibit 9** with an explanatory memorandum on **Page 13**.

The total catastrophe provision has also been adjusted to account for the difference in the average amount of insurance between Allstate Indemnity Company and Allstate Insurance Group. **Page 18** and **Exhibit 10.1** display the development of the Allstate Indemnity Company catastrophe provision for the Arkansas Landlords Package Policy.

ALLSTATE INSURANCE GROUP
LANDLORD PACKAGE POLICY
ARKANSAS

DEVELOPMENT OF THE TOTAL CATASTROPHE PROVISION
EXPLANATORY MEMORANDUM

The numerical references in this memorandum correspond to the numbering sequence on **Exhibit 9**.

1. Year: Calendar Year

2. Landlords Package Policy Amounts of Insurance Years (AIY):
One Amount of Insurance Year (AIY) equals $1,000 worth of dwelling coverage in force for one year.

3. Landlords Package Policy Catastrophe Incurred Losses:
Catastrophe incurred losses excluding earthquake losses.

4. Landlords Package Policy Catastrophe Ratio: (3) / (2)
The ratio of Landlords Package Policy catastrophe incurred losses to AIY.

5. Homeowners Amount of Insurance Years:
One Amount of Insurance Year (AIY) equals $1,000 worth of dwelling coverage in force for one year.

6. Homeowners Catastrophe Incurred Losses:
Catastrophe incurred losses excluding earthquake losses.

7. Homeowners Catastrophe Ratio: (6) / (5)
The ratio of Homeowners catastrophe incurred losses to AIY.

8. Landlords Package Policy to Homeowners Catastrophe Ratio: [Avg. (4)] / [Avg. (7)]

9. Homeowners Catastrophe Provision
Developed on **Exhibit 10** with the Explanatory Memorandum on **Pages 14 through 17**.

10. Arkansas Landlords Package Policy Catastrophe Provision: (8) x (9)

11. Landlords Package Policy Catastrophe Provision Including all LAE: (10) x ULAE factor
The current ULAE factor is 1.163, as developed on **Exhibit 14.**

ALLSTATE INSURANCE GROUP (INCLUDES ALLSTATE INSURANCE COMPANY, ALLSTATE INDEMNITY COMPANY, AND ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY)

HOMEOWNERS
ARKANSAS

SUMMARY OF THE TOTAL NON-MODELED CATASTROPHE ADJUSTMENT

Allstate separately identifies and accounts for its exposure to loss due to the occurrence of catastrophic events within a state. The adjustment to account for catastrophes described below is consistent with the Analysis of Issues and Recommended Practices detailed in Section 3.4 of Actuarial Standards of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*. In order to estimate our non-hurricane, non-earthquake catastrophe exposure, we develop a long-term relativity of each state to our countrywide (excluding California, Florida, New Jersey, and Washington) catastrophe factor based on all years 1981 and beyond. We then apply this relativity to a countrywide catastrophe factor based on the most recent ten years of data. By using this approach, we are able to balance the stability of a long-term estimate of catastrophe potential in Arkansas (needed because of the infrequent occurrence of catastrophes) and the responsiveness of more recent data (needed because of changing demographic conditions).

Within our method we incorporated two procedures designed to stabilize the results of individual states. The first procedure caps losses for years that are uncharacteristic for that state. Relativities above three standard deviations plus the mean for the state are capped. Impacted years are limited to the highest relativity below the cap.

In addition to the capping procedure, we apply credibility to the resulting relativities in the state. The credibility is based on the standard (Buhlmann/Bayesian) credibility method as described in Loss Models, by Klugman, Panjer and Willmot, chapter 5, pages 436 to 441. The credibility reflects the confidence we have in the state's average relativity. In order to develop the credibility, we consider the number of years used to determine the relativity as well as the variance of all states' relativities to countrywide.* The complement of credibility is applied to a relativity of 1.000.

A result of our capping and credibility process is that the average of all the statewide relativities may no longer equal a countrywide relativity of 1.000. In order to assure an adequate provision for catastrophes on a countrywide basis, the resulting state relativities are adjusted to achieve an overall countrywide relativity of 1.000. The off-balance adjustment is made in proportion to each state's variability as defined by its standard deviation. The final relativity is applied to the countrywide catastrophe factor to develop the Arkansas catastrophe factor.

Pages 16 through 17 and **Exhibit 10** display the Development of the Total Catastrophe Provision of **0.985** for Arkansas. The development of this provision has been updated to include 2006 data.

* Note: The number of years is used rather than exposures (as recommended in the standard model) because increased exposures does not necessarily lead to more stable estimates for catastrophes, particularly when the exposures are geographically concentrated.

ALLSTATE INSURANCE GROUP (INCLUDES ALLSTATE INSURANCE COMPANY, ALLSTATE INDEMNITY COMPANY, AND ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY)

HOMEOWNERS
ARKANSAS

DEVELOPMENT OF TOTAL NON-MODELED CATASTROPHE PROVISION EXPLANATORY MEMORANDUM

The numerical references in this memorandum correspond to the numbering sequence on **Exhibit 10.**

(1) Calendar Year

(2) Amount of Insurance Years:
One amount of insurance year (AIY) equals $1000 worth of dwelling coverage in force for one year.

(3) Non-Modeled Catastrophe Incurred Loss including ALAE:
Catastrophe incurred losses excluding earthquake losses. Hurricane losses are included in the catastrophe incurred losses.

(4) State Non-Modeled Catastrophe Ratio: (3) / (2)

(5) Countrywide Non-Modeled Catastrophe Ratio:
Countrywide (excluding California, Florida, New Jersey, and Washington) catastrophe ratio excluding earthquake and modeled hurricane losses. Developed by weighting individual state non-modeled catastrophe ratios by 2006 AIYs.

(6) Relativities: (4) / (5)

(7) Relativities Adjusted for the Cap:
Column (6) adjusted for the cap. Impacted years are limited to highest relativity below the cap.

(8) Average Relativities:
Arithmetic mean of relativities.

(9) Standard Deviation

(10) Credibility of Capped Relativities:
Buhlmann/Bayesean credibility factor: # of years / (# of years + average process variance/variance of hypothetical means). The process variance and variance of hypothetical means are calculated using the 26-year capped relativities across all states.

(11) Credibility Weighted Relativity: Row (8) (capped) x (10) + [1.0 - (10)] x 1.000.

(12) Relativity Balanced to Countrywide:
Row (11) balanced to achieve a countrywide relativity of 1.000 in proportion to the Arkansas standard deviation (based on capped relativities).

(13) Selected Countrywide Non-Modeled Catastrophe Factor

(14) Arkansas Non-Modeled Catastrophe Factor Excluding All ULAE: (12) x (13)

(15) Arkansas Non-Modeled Catastrophe Provision Including All LAE:
The Non-Modeled Catastrophe Provision from (14) loaded with the ULAE factor found on **Exhibit 14**.

ALLSTATE INSURANCE GROUP
LANDLORD PACKAGE POLICY
ARKANSAS

DEVELOPMENT OF THE CATASTROPHE PROVISION BY COMPANY
EXPLANATORY MEMORANDUM

The numerical references in this memorandum correspond to the numbering sequence on **Exhibit 10.1**.

(1) Earned Exposures
Earned Exposures for Landlords Package Policy forms.

(2) Projected Average AIYs
The Amount of Insurance Years adjusted to represent the AIY's that we expect to be in force during the policy period.

(3) Expected Catastrophe Loss Relativity
To more appropriately allocate the non-hurricane catastrophe provision between companies, Allstate has researched an Amount of Insurance scale based upon wind and non-hurricane catastrophes. The relativity is based on the average Amount of Insurance by company.

(4) Expected Catastrophe Loss Per Policy:
The total expected catastrophe loss per policy is the total projected average AIY multiplied by the total Allstate Insurance Group Landlords Package Policy catastrophe provision developed on **Exhibit 9**. The total is then allocated by company based on (3).

(5) Indicated Catastrophe Provision – Landlords Package Policy Forms: (4) / (2)

(6) Catastrophe Provision including all LAE:
The Indicated Catastrophe Provision from (5) loaded with the ULAE factor found on **Exhibit 14.**

ALLSTATE INSURANCE GROUP
LANDLORD PACKAGE POLICY
ARKANSAS

EXPENSES AND INVESTMENT INCOME
EXPLANATORY MEMORANDUM

Exhibits 11 and 12 display the development of the expense provisions for Arkansas.

The expense provisions described below were derived in accordance to Section 3.2 of Actuarial Standard of Practice No 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*.

Commission and Brokerage Expense

The proposed commission and brokerage expense provision has been developed from the actual calendar year 2006 commission and brokerage incurred expense ratio in Arkansas. The provision is shown on **Exhibit 11**.

General and Other Acquisition Expense

Provisions
The provisions for other acquisition and general expense are based on countrywide data. Since the methods and procedures that incur these expenses are uniform within each state, it is a reasonable assumption that these expense provisions are uniform across all states. To develop the provision for other acquisition and general expenses, a three-year average of countrywide calendar year incurred expense divided by countrywide calendar year earned premium was calculated. Because premiums charged for the net cost of reinsurance (NCOR) do not include provisions for general and other acquisition expenses, the earned premium used in the development of the general and other acquisition expenses is countrywide direct earned premium less countrywide NCOR premium. The expense figures are taken from the Insurance Expense Exhibit. The provision for Other Acquisition Expense has been reduced by the amount of installment fees collected. In addition, the provision has been adjusted for premiums written off. The General Expense provision has been reduced to account for anticipated salary savings resulting from a workforce-reduction initiative that Allstate completed in early 2006.

Rate Need Calculations
For past filings, in developing the dollar provision for general and other acquisition expenses used in the calculation of our Arkansas rate level need, the three-year countrywide average expense ratio for general and other acquisition expenses was applied to the latest Arkansas twelve-month moving average earned premium. This dollar provision was then adjusted for inflation to calculate the indicated dollar provision for fixed expenses. With this filing, we are modifying this methodology by altering the time period used for the development of the Arkansas average earned premium. The three-year countrywide average expense ratio will continue to be applied to the Arkansas average earned premium. However, rather than using a twelve-month moving average, the Arkansas average earned premium will now be developed using the same three-year period used in the calculation of the countrywide average expense ratio. An adjustment to the trend period used in the calculation of the inflation factor will also be made to account for these changes. This new methodology more consistently aligns the time

periods for the development of both the countrywide expense ratio and the Arkansas earned premium.

Trend (Inflation)
The method used to calculate the fixed expense trend (inflation factor) is similar to the method used by the Insurance Services Office (I.S.O.) and other competitors to determine a fixed expense trend. The method utilizes the CPI (Consumer Price Index) and the CCI (Compensation Cost Index – Insurance Carriers, Agents, Brokers, & Service) and is discussed by Geoffrey Todd Werner, FCAS, MAAA in his paper Incorporation of Fixed Expenses, which was published in the *CAS Forum* (Winter 2004). Based on a review of the historical indices, an annual percentage change is selected for each index. These selected annual percent changes are then weighted together using the distribution of the Allstate expenditures in the latest calendar year for the two broad expense categories that these indices represent. This method is expected to produce stable and reasonable estimates of the true trend in fixed expenses and is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking.*

The expense provisions for other acquisition and general expenses are shown on **Exhibit 15**.

Taxes, Licenses & Fees

The provision for taxes is determined by taking the currently prescribed Arkansas premium tax ratio and adding to that the arithmetic average ratio of other assessments that vary by the size of the premium from the latest five calendar years in Arkansas. A provision for licenses and fees that do not vary by premium size is determined by taking the arithmetic average ratio of these licenses and fees from the latest five calendar years in Arkansas. The provision for licenses and fees is considered, along with the general and other acquisition expense provisions, to be a fixed expense.

Profit Provision

The cost of equity capital reflects developments in the field of financial economics as published in the *Casualty Actuarial Society Forum*, Winter, 2004 and in *Journal of Risk and Insurance, Vol. 72, No. 3, September 2005* ("Estimating the Cost of Equity Capital For Property-Liability Insurers" by J. David Cummins and Richard D. Phillips).

A discounted cash flow (DCF) methodology is used to calculate the investment income on PHSF. DCF is one of the two examples given in Actuarial Standards of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (page 4). The calculations detailing the discounted cash flow methodology are found on **Exhibit 13**. The expected investment yield rate (applied as a force of interest) used to discount losses and expenses includes anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

A contingency provision of 2% is included.

ALLSTATE INSURANCE GROUP
HOMEOWNERS

CONTINGENCY FACTOR SUPPORT
EXPLANATORY MEMORANDUM

This memo provides explanation regarding Allstate's methodology for calculating a contingency provision to be used in its Homeowner rate level.

Background

Actuarial Standard of Practice #30 (ASOP #30), Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking, defines the contingency provision for ratemaking purposes as follows: A provision for the expected differences, if any, between the estimated costs and the average actual costs, that cannot be eliminated by changes in other components of the ratemaking process. ASOP #30 goes on to state that:

- The actuary should include a contingency provision in the rates if assumptions used in ratemaking produce cost estimates that are not expected to equal average actual costs, and if the difference cannot be eliminated by changes in other components of the ratemaking process.

- While estimated costs are intended to equal average actual costs over time, differences between estimated and actual risk transfer costs may be expected in any given year. If a difference persists, the difference should be reflected in the ratemaking calculations as a contingency provision. The contingency provision is not intended to measure the variability of results and is not expected to contribute to profit.

Thus, even if the actuary has available relevant, credible data and uses the best, state-of-the-art actuarial techniques, there may still be instances where estimated future costs differ from actual future costs. The factors causing this situation to occur are outside the actuary's ability to predict and the insurer's ability to control. Examples would include (but not be limited to) court decisions, legislative action and media influence on the public's behavior.

In spite of the inability to foresee specific events, an insurer may look back at recent history and identify past events that triggered unexpected payments. Given the highly regulated nature of the property and casualty insurance industry and the large amounts of money that flow through an insurance organization, it is reasonable to assume that adverse court decisions and similar unexpected events will occur again in the future. Courts and regulatory bodies are likely to continue to respond to lawsuits and other attempts at unexpected application of an insurance policy's coverage. As outlined in the Actuarial Standard of Practice referenced above, these events should be accounted for in ratemaking in the form of a contingency provision.

In his paper Contingency Margins in Rate Calculations, Steven Lehmann argues that the difference between the targeted underwriting profit and the realized underwriting profit can be used as a basis for calculating a contingency provision. He writes that the difference between targeted and realized profit can be caused by many things including court and legislative issues (as mentioned above) and also by dramatic inflation, inadequate residual market rates and other events. There are a couple of reasons why Allstate is not following the specific methodology outlined in Mr. Lehmann's paper. First, the difference between targeted and realized underwriting profit is also influenced by the occurrence of catastrophes during the time period for which the difference is calculated. Mr. Lehmann mentions that one element of a contingency provision should be catastrophe events not adequately anticipated in the ratemaking. Because Allstate does calculate an adequate catastrophe load (theoretically sound and calculated over a sufficiently long period of time), the calculations described in Contingency Margins in Rate Calculations could result in "double-counting" some catastrophe events. This occurs if the calculations are made over a relatively short time period that also contains a significant catastrophe event. Addressing this problem by extending the contingency calculation too far into the past could lead to a provision that might not reflect the current environment. A second reason to depart from Mr. Lehmann's methodology is that we have data resources today that were not available at the time Mr. Lehmann's paper was published (1985). Sophisticated programs allow Allstate to review our claim file narratives to identify specific types of claims that are appropriate to include in support for a contingency provision because they can be representative of unforeseeable events. Taking advantage of advances in computing and data coding, Allstate can exclude claims that are not appropriate to a contingency provision, such as normal catastrophes and regulatory delay situations (regulatory delay can usually be priced for by adjusting assumptions regarding length of time the rates will be in effect). The effect of inflation (which should be captured in pure premium trend selections) is also excluded. For these reasons, Allstate has calculated a contingency provision using a methodology different from (but not inconsistent with) the methodology outlined in Mr. Lehmann's paper.

Allstate Homeowners Contingency Provision calculation

With this filing, Allstate is presenting a method of calculating a contingency provision that allows more specificity around the type of events that are included. We have reviewed experience over approximately a 20-year period and have identified a number of representative events that are appropriate to a contingency provision, due to their unanticipated nature. Considered events include the following: court decisions redefining the cause of loss for earth movement- and landslide-related loss, sinkholes, failure to disclose (in connection with sale of a home), oil tank leakage, foundation slab losses, mold, methamphetamine lab damage, legislated exceptions to policy language, flooding, lead paint poisoning, imminent collapse, terrorism, radiant floor heating systems and dog bites.

Some of these losses are too old to obtain reliable loss data at the claim level of detail. Some events are excluded because, even with sophisticated computer programs, losses are not specifically tracked and so can't be separated from other loss data for inclusion in Allstate's computations. Some events simply did not produce a frequency of loss to materially impact our calculations. However, each event mentioned above illustrates that unforeseen loss does occur. This can be the case when a legislative or court decision expands the scope of Allstate's policy coverage, or when the media unexpectedly focuses attention on a health issue or other item of public concern. Other as-yet-unknown influences that Allstate cannot predict or price for will also likely affect claims payments in the future.

In order to estimate an appropriate contingency provision, we have used a recent group of events (including oil tanks, slab losses, mold and flooding) for which we can obtain more reliable loss data. Issues which triggered payments over several years cannot be considered "unexpected" for an indefinite period of time. In these cases, we have judgmentally included losses from the first 3 years following the initial event. After 3 years we assume that these losses are present in our indications data and that we have priced sufficiently for the event's exposure in our rates. Some events are of shorter duration and so fewer than 3 years of losses are included in the calculations. Note also that data includes some catastrophe losses. As mentioned above, catastrophe losses are more appropriately accounted for in a catastrophe provision rather than in a contingency provision. However, the legislative, media and other influences that generate unexpected losses can also affect catastrophe losses. Therefore, catastrophe losses are included in our analysis when they stem from one of the issues in question. Losses are included for Allstate's Owners, Renters and Condo forms.

Exhibit 16 shows the sum of all claims divided by countrywide homeowners accident year losses from 1996 – 2003 (adjusted for expected catastrophe levels) and adjusted for expense provisions. This time period was chosen to match the time period of losses readily available to us (our claim files older than 1996 cannot be effectively reviewed to extract specific losses). Losses for some events have been adjusted downward to reflect the fact that, despite the sophistication of our analysis, some claims unrelated to the issue in question can be unintentionally included in the loss totals. The indicated contingency provision is 1.9% and the selected provision of 2.0% is also displayed.

Exhibit 16 shows the sum of all claims divided by countrywide homeowners accident year losses from 1996 – 2003 (adjusted for expected catastrophe levels) and adjusted for expense provisions. This time period was chosen to match the time period of losses readily available to us (our claim files older than 1996 cannot be effectively reviewed to extract specific losses). Losses for some events have been adjusted downward to reflect the fact that, despite the sophistication of our analysis, some claims unrelated to the issue in question can be unintentionally included in the loss totals. The indicated contingency provision is 1.9% and the selected provision of 2.0% is also displayed.

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

Determination of Statewide Rate Level Indication

1) Indicated Provision for Loss and Loss Adjustment Expense	$522.06
2) Current Fixed Expense Ratio	8.4 %
3) Three Year Average Earned Premium	$457.91
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	$38.46
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.098
6) Indicated Provision for Fixed Expense [(4) x (5)]	$42.23
7) Variable Expense, Contingencies Ratio and Profit Ratio	26.2 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	$764.62
9) Projected Average Earned Premium at Current Rates	$540.53
10) Indicated Rate Level Change [(8) / (9) - 1.0]	41.5 %

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

Development of Provision for Non-Cat Loss and LAE
Total All Peril excluding EQ

Development of Provision for Non-Cat Loss and LAE

Fiscal Year Ending	(1) Earned Exposures	(2) Accident Year Non-Catastrophe Ultimate Loss	(3) Non-Cat Ultimate Loss and LAE	(4) Factor to Adjust Losses for Pure Premium Trend	(5) Projected Non-Cat. Ultimate Loss and LAE	(6) Projected Average Non-Cat. Loss and LAE (5) / (1)	(7) Experience Year Weights
3/31/2003	4,935	$603,186	$701,505	1.527	$1,071,198	$217.06	20 %
3/31/2004	5,563	1,441,864	1,676,888	1.427	2,392,919	430.15	20
3/31/2005	6,394	2,217,189	2,578,591	1.333	3,437,262	537.58	20
3/31/2006	7,293	2,782,413	3,235,946	1.246	4,031,989	552.86	20
3/31/2007	7,600	1,956,377	2,275,266	1.165	2,650,685	348.77	20
(8) Indicated Provision for Non-Cat Loss and LAE						$417.28	

ALLSTATE INSURANCE GROUP
LANDLORDS PACKAGE POLICY
ARKANSAS

Loss Trends - Pure Premium
Total All Peril excluding EQ

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Pure Premium	Annual Change	24 pt.	12 pt.	6 pt.
09/01	$199.11	2.88 %	$118.71		
12/01	189.82	-2.79	123.38		
03/02	128.64	-40.07	128.24		
06/02	114.30	-50.36	133.29		
09/02	139.76	-29.81	138.54		
12/02	129.77	-31.64	144.00		
03/03	119.62	-7.01	149.66		
06/03	91.73	-19.75	155.56		
09/03	81.54	-41.66	161.68		
12/03	115.64	-10.89	168.05		
03/04	136.17	13.84	174.67		
06/04	221.53	141.50	181.54		
09/04	241.18	195.78	188.69	$257.57	
12/04	232.65	101.18	196.12	257.46	
03/05	295.04	116.67	203.84	257.36	
06/05	240.49	8.56	211.87	257.25	
09/05	257.89	6.93	220.21	257.15	
12/05	270.15	16.12	228.88	257.04	
03/06	272.95	-7.49	237.89	256.94	$282.62
06/06	275.74	14.66	247.26	256.83	272.76
09/06	253.18	-1.83	256.99	256.73	263.25
12/06	290.75	7.63	267.11	256.62	254.07
03/07	239.84	-12.13	277.63	256.52	245.21
06/07	225.16	-18.34	288.56	256.42	236.65

Regression	24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:	16.70 %	-0.16 %	-13.24 %
Countrywide Avg Annual Percent Change Based on Best Fit:	2.22 %	10.11 %	12.76 %
State Credibility based on 213 Paid Claims In Year Ending 6/2007:	14 %	14 %	14 %
Credibility Weighted Annual Trend:	4.25 %	8.67 %	9.12 %

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

Development of Projected Average Earned Premium

Development of Projected Average Earned Premium at Current Rates

Fiscal Year Ending	(1) Earned Exposures	(2) Earned Premium at Current Rates	(3) Factor to Adjust to Projected Premium Level	(4) Projected Earned Premium at Current Rates (2) x (3)	(5) Projected Average Earned Premium at Current Rates (4) / (1)	(6) Experience Year Weights
3/31/2007	773	$390,861	1.069	$417,830	$540.53	100 %

(7) Projected Average Earned Premium at Current Rates

$540.53

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

Premium Trends

Year Ending	Average Written Premium @ CRL	Annual Change	Exponential Curve of Best Fit 6 pt.
03/06	$509.71	0.00 %	$502.76
06/06	499.33	0.00	503.65
09/06	502.32	0.00	504.55
12/06	499.84	0.00	505.44
03/07	507.02	-0.53	506.34
06/07	511.88	2.51	507.24

Regression	6 pt.
Avg Annual Percent Change Based on Best Fit:	0.71 %

ALLSTATE INSURANCE GROUP
LANDLORDS PACKAGE POLICY
ARKANSAS

Calculation of Loss Development Factors
Total All Peril excluding EQ

Incurred Losses †

Fiscal Accident Year Ending	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months‡
3/31/1996							987,627
3/31/1997						545,771	545,771
3/31/1998					801,644	775,409	775,409
3/31/1999				947,602	932,262	932,262	932,037
3/31/2000			696,318	669,254	669,254	669,254	669,254
3/31/2001		1,093,256	1,094,246	1,063,179	1,063,179	1,063,179	1,063,179
3/31/2002	637,679	640,315	643,830	688,696	688,696	674,863	
3/31/2003	475,717	470,851	472,606	472,716	472,716		
3/31/2004	1,103,866	1,113,485	1,119,589	1,133,541			
3/31/2005	1,701,358	1,732,132	1,737,609				
3/31/2006	2,060,798	2,172,064					
3/31/2007	1,504,905						

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	1.004	1.001	0.961	0.984	0.967	1.000
3rd Prior	0.990	1.005	0.972	1.000	1.000	1.000
2nd Prior	1.009	1.004	1.070	1.000	1.000	1.000
1st Prior	1.018	1.005	1.000	1.000	1.000	1.000
Latest	1.054	1.003	1.012	1.000	0.980	1.000
Average:	1.015	1.004	1.003	0.997	0.989	1.000
Selected:	1.015	1.004	1.003	0.997	0.989	1.000

Selected Methodology Link Ratio Method (avg w/o excluded link ratios)

Loss Development Period (months):	15 - 87	27 - 87	39 - 87	51 - 87	63 - 87
Loss Development Factor:	1.008	0.993	0.989	0.986	0.989

†Includes ALAE
‡Includes supplemental reserves in addition to case reserves

Development of Provision for Catastrophe Loss and LAE

1) Earned Exposures	773
2) Earned AIY*	94,159
3) Average Earned AIY (2)/(1)	121.81
4) Factor to Adjust to Projected Average AIY Level	1.265
5) Average AIY Projected to 12/31/2008 (3)*(4)	154.09
6) Total Catastrophe Provision per AIY Including All LAE	0.680
7) Expected Catastrophe Pure Premium (5)*(6)	$104.78

*1 AIY = One Amount of Insurance Years = $1000 of Coverage in Force for One Year

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

AIY Trends

			Exponential Curve of Best Fit
Year Ending	AIY Trends	Annual Change	6 pt.
03/06	100.97	0.00 %	105.05
06/06	112.66	0.00	109.87
09/06	117.54	0.00	114.90
12/06	122.19	0.00	120.17
03/07	125.25	24.05	125.68
06/07	128.66	14.20	131.44

Regression	6 pt.
Avg Annual Percent Change Based on Best Fit:	19.63 %

ALLSTATE INSURANCE GROUP
LANDLORDS PACKAGE POLICY
ARKANSAS

Development of Total Catastrophe Provision

	Landlords Package Policy			Homeowners		
(1) Year	(2) AIY	(3) Incurred CAT Loss	(4) Loss / AIY	(5) AIY	(6) Incurred CAT Loss	(7) Loss / AIY
1987	311,775	$59,443	0.191	2,706,082	$922,000	0.341
1988	360,193	233,287	0.648	2,722,673	2,406,000	0.884
1989	409,560	421,734	1.030	2,854,035	5,639,000	1.976
1990	451,454	145,856	0.323	2,997,011	902,000	0.301
1991	475,520	95,603	0.201	3,024,869	1,314,000	0.434
1992	461,072	30,617	0.066	2,833,694	554,000	0.196
1993	431,826	4,069	0.009	2,710,739	95,000	0.035
1994	405,024	329,449	0.813	2,803,199	2,207,475	0.787
1995	391,627	179,173	0.458	2,871,367	1,650,609	0.575
1996	374,964	1,511,037	4.030	2,980,889	17,105,643	5.738
1997	363,487	222,407	0.612	3,125,272	2,732,567	0.874
1998	351,775	28,782	0.082	3,282,343	243,869	0.074
1999	337,220	715,166	2.121	3,322,641	10,286,071	3.096
2000	329,031	382,760	1.163	3,420,427	6,983,749	2.042
2001	333,572	101,057	0.303	3,588,393	1,054,082	0.294
2002	371,370	74,894	0.202	3,884,746	821,596	0.211
2003	425,259	112,057	0.264	4,427,465	1,800,646	0.407
2004	511,002	26,566	0.052	5,231,642	1,134,687	0.217
2005	624,971	10,464	0.017	6,068,605	868,082	0.143
2006	709,493	1,547,573	2.181	7,323,099	19,722,171	2.693
		Average	0.739			1.087

8) Ratio of Landlords Package Policy to Homeowners	0.680
9) Homeowners Catastrophe Provision	0.985
10) Arkansas Landlords Package Policy Catastrophe Provision (8) x (9)	**0.670**
11) Landlords Package Policy Catastrophe Provision including all LAE (10) x ULAE	0.779

ALLSTATE INSURANCE GROUP
HOMEOWNERS INSURANCE
ARKANSAS
BASIC CATASTROPHE PROVISION

(1) CALENDAR YEAR	(2) AMOUNT OF INSURANCE YEARS	(3) CATASTROPHE INCURRED LOSS	(4) STATE CATASTROPHE RATIO	(5) COUNTRYWIDE* CATASTROPHE RATIO	(6) RELATIVITIES	(7) RELATIVITIES ADJUSTED FOR CAP OF 7.551 **
1981	2,644,282	1,003,000	0.379	0.242	1.566	1.566
1982	2,308,405	2,313,000	1.002	0.336	2.982	2.982
1983	1,892,706	1,268,000	0.670	0.376	1.782	1.782
1984	1,886,371	3,387,000	1.796	0.496	3.621	3.621
1985	2,022,557	822,000	0.406	0.355	1.144	1.144
1986	2,386,042	1,999,000	0.838	0.223	3.758	3.758
1987	2,706,082	922,000	0.341	0.212	1.608	1.608
1988	2,819,207	2,406,000	0.853	0.261	3.268	3.268
1989	2,996,467	5,639,000	1.882	0.571	3.296	3.296
1990	3,153,771	902,000	0.286	0.583	0.491	0.491
1991	3,171,794	1,314,000	0.414	0.398	1.040	1.040
1992	2,996,917	554,000	0.185	0.767	0.241	0.241
1993	2,859,375	95,000	0.033	0.424	0.078	0.078
1994	2,891,545	2,208,000	0.764	0.843	0.906	0.906
1995	2,948,886	1,651,000	0.560	0.663	0.845	0.845
1996	3,025,076	17,106,000	5.655	0.866	6.530	6.530
1997	3,144,832	2,733,000	0.869	0.267	3.255	3.255
1998	3,302,976	244,000	0.074	0.463	0.160	0.160
1999	3,366,313	10,286,000	3.056	0.520	5.877	5.877
2000	3,486,794	6,984,000	2.003	0.755	2.653	2.653
2001	3,593,939	1,054,000	0.293	0.645	0.454	0.454
2002	3,949,900	822,000	0.208	0.446	0.466	0.466
2003	4,485,912	1,801,000	0.401	0.629	0.638	0.638
2004	5,277,783	1,135,000	0.215	0.309	0.696	0.696
2005 ***	6,206,944	868,000	0.140	0.237	0.591	0.591
2006	7,323,099	19,722,000	2.693	0.528	5.100	5.100
(8) Average Relativity					2.040	2.040
(9) Standard Deviation					1.837	1.837
(10) Credibility						0.901
(11) Credibility Weighted Relativity						1.937
(12) Relativity Balanced to Countrywide						2.053
(13) Countrywide Selected Catastrophe Factor						0.480
(14) Arkansas Catastrophe Factor						0.985
(15) Arkansas Catastrophe Factor Including all LAE						1.146

** Relativities were not impacted by capping process

* Excludes California, Florida, New Jersey, and Washington

**** Starting in 2005, AP&C included

ALLSTATE INSURANCE GROUP
LANDLORDS PACKAGE POLICY
ARKANSAS

Development of Landlords Package Policy Catastrophe Provisions by Company

	(1)	(2)	(3)	(4)	(5)	(6)
Company	**Earned Exposures**	**Projected Average AIYs**	**Expected Catastrophe Loss Relativity**	**Expected Catastrophe Loss Per Policy**	**Indicated Catastrophe Provision**	**Catastrophe Provision including all LAE**
AIC	6,827	104.04	0.802	71.18	0.684	0.795
AI	773	154.09	1.017	90.20	0.585	0.680
Total	**7,600**	**109.13**	**0.824**	**73.12**	**0.670**	**0.779**

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

Summary of Expense Provisions

	Percent Fixed	Expense Provision
Licenses and Fees	100 %	0.1 %
Commissions	0	12.5
Contingency Provision	0	2.0
Taxes †	0	2.9
Other Acquisition	100	4.7
General Expense	100	3.6

† State Taxes - Does not include Federal Income Tax

Development of the Underwriting Profit Provision from a Given Weighted Average Cost of Capital

	Amount
(1) Weighted Average Cost of Capital	14.06 %
(2) Estimated Investment Income on Equity to Total Capital*	4.78 %
(3) After-tax Operating Profit to Total Capital* (1) - (2)	9.28 %
(4) Ratio of Premium to Total Capital*	1.03
(5) After-tax Operating Profit to Premium (3) / (4)	9.01 %
(6) Investment Gain from Policy Cash Flow	3.31 %
(7) After-tax Underwriting Profit Provision (at Present Value) (5) - (6)	5.70 %
(8) Tax Rate**	35.00 %
(9) Pre-tax Underwriting Profit Provision (at Present Value) (7) / [1 - (8)]	8.77 %

* Total Capital = Equity + Debt

** This is the standard federal income tax rate for corporations

ARKANSAS

Calculation of Present Value, as of the Average Earning Date of a Policy Year, of all Income and Outgo @ 3.95% force of interest, assuming an Operating Profit of 9.01% and twelve month Policy Terms

Years From Start of Policy Year	Cumulative Percent of Losses Paid	Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted† to Average Time of Profit @ 3.95%	Discounted Payments
1	26.8 %	26.80 %	0.70	1.0119	27.12 %
2	78.7	51.90	1.40	0.9843	51.09
3	87.3	8.60	2.30	0.9499	8.17
4	91.7	4.40	3.50	0.9060	3.99
5	94.2	2.50	4.50	0.8709	2.18
Subsequent	100.0	5.80	7.10	0.7859	4.56
Total					97.11 %
Expected Losses and Loss Expense Ratio					67.43 %
Present Value of Loss and Loss Expense Payments					65.48 %
General Expense		3.6 %	0.75	1.0099	3.64 %
Other Acquisition		4.7 %	0.63	1.0147	4.77 %
Taxes		2.9 %	0.72	1.0111	2.93 %
Commissions		12.5 %	0.58	1.0167	12.71 %
Profit		8.77 %	1.00	1.0000	8.77 %
Licenses and Fees		0.1 %	0.72	1.0111	0.10 %
Total Present Value of Outgo					98.40 %
Premiums		100.0 %	0.57	1.0171	101.71 %
Difference, Present Value of Income Less Present Value of Outgo					3.31 %

*exp (force of interest x (timing of profit being earned - timing of cash flow))

ALLSTATE INSURANCE GROUP*

Personal Property Lines

Countrywide Expense Experience - Unallocated (Adjusting and Other Expense) Factors

2004, 2005, 2006

		2004 - 2006
1. Direct Losses and Allocated Loss Adjustment Expense Incurred excluding Earthquake and Hurricane Losses	$	6,992,664
2. Direct Unallocated Loss Adjustment Expense Incurred excluding Earthquake and Hurricane	$	1,140,700
3. Ratio (2)/(1)		0.163
4. Proposed Provision		0.163

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company and Allstate Country Mutual Insurance Company.

SOURCE: Data underlying Insurance Expense Exhibits
(000 Omitted)

ALLSTATE INSURANCE GROUP*

Personal Property Lines Excluding Earthquake

Countrywide Expense Experience For Other Acquisition and General Expenses

	Other Acquisition Expense		
	2004	2005	2006
1. Direct Premium Less Reinsurance Premium****	$4,973,257	$5,499,808	$5,889,174
2. Other Acquisition Expense Incurred**	228,188	241,685	294,728
3. Ratio (2)/(1)	0.0459	0.0439	0.0500
4. Three Year Average			0.047
5. Proposed Provision			0.047

	General Expense		
	2004	2005	2006
1. Direct Premium Less Reinsurance Premium****	$4,973,257	$5,499,808	$5,889,174
2. General Expense Incurred	197,098	208,035	221,185
3. Ratio (2)/(1)	0.0396	0.0378	0.0375
4. Three Year Average			0.038
5. Proposed Provision***			0.036

SOURCE: Insurance Expense Exhibits
(000 Omitted)

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company and Allstate County Mutual

** Expenses are reduced by the amount of Payment Fees collected and includes Premium Write offs.

***Reduction in force adjustment included

****Premiums for Net Cost of Reinsurance (NCOR) do not include provisions for General and Other Acquisition expenses. Therefore, direct premiums must be reduced by NCOR premiums to get the premium base upon which general and other acquisition expense provisions are applied.

(000's) omitted

Allstate Insurance Group
Homeowners
Contingency Factor Support
Accident years 1996 - 2003

Total estimated loss from unexpected events:	$388,265,584
Total countrywide ex-cat accident year losses:	$14,082,669,021
Indicated contingency provision as percentage of ex-cat loss:	2.80%
Indicated contingency provision as percentage of total loss:	2.10%
Indicated contingency provision adjusted for expenses:	1.90%
Selected contingency provision:	**2.00%**

ALLSTATE INDEMNITY COMPANY
LANDLORDS PACKAGE POLICY
ARKANSAS

SUMMARY OF MANUAL CHANGES

<u>RATE PAGES</u>

Rate Page RFP-1 is being updated to incorporate changes to Rating Groups 2 through 5 and the changes to the Rate Adjustment Factor.

Rate Page RFP-3 is being updated to incorporate the changes to Age of Dwelling Factors 9 and over.